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01/28/77

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DEPARTMENT OF STATE

TELEGRAM

CONTROL: 0696

28 JAN 77

1653

INDICATE

☐ COLLECT☐ CHARGE TO

FROM

AmEmbassy BUENOS AIRES

CLASSIFICATION

[REDACTED]

E.O. 11652:

TAGS:

SUBJECT:

GDS

PFOR, AR

Argentine Overview

ACTION:

SecState WASHDC

PRIORITY

INFO:

AmEmbassy ASUNCION

AmEmbassy BRASILLIA

AmEmbassy MONTEVIDEO

AmEmbassy SANTIAGO

ARGENTINA PROJECT (S200000044)

U.S. DEPT. OF STATE, A/RPS/IPS

Margaret P. Grafeld, Director

☒ Release ☐ Excise ☐ Deny

Exemption(s):

Declassify: ☐ In Part ☒ In Full☐ Classify as ☐ Extend as ☐ Downgrade toDate ☐ Declassify on ☐ Reason

[REDACTED] BUENOS AIRES 0696

Ref:

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POL/R

ECOM

USIS

USDAO

MILGP-2

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SCIAT

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1. Environment. Already afflicted by problems of chronic ~~political~~ ~~instability~~

political instability, Argentina under the disastrous government

of Mrs. Peron was approaching total political and economic

collapse--on the order of the Weimar Republic. The Armed Forces

in desperation called on the civilian politicians to come up with

a constitutional solution, but when the latter were unable to do

so, the military themselves stepped in to fill the vacuum.

2. Since March 24, 1976, the military government has, in effect,

been trying to dig out of the ruins. It has had marked success

in terms of its two most pressing objectives: (a) economic

recovery, and (b) controlling terrorism. Inflation has been

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OPTIONAL FORM 152(H)
(Formerly FS-413(H))
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curbed, foreign currency reserves built up and a modicum of confidence restored. Economy Minister Martinez de Hoz, moreover, has an excellent reputation in foreign banking circles and has managed to refinance Argentina's external debt. Terrorism, too, has been contained. The government's all-out campaign has left the ERP all but destroyed and the Montoneros badly mauled. The terrorists are now on the defensive.

3. Clearly, then, the government has accomplished a good deal. But it is by no means out of the woods. For one thing, the methods by which it has attacked its two most pressing problems may result in new troubles. The austerity program through which inflation is being curbed, for example, is seen by the labor sector as inequitable. Wages are ^{frozen} ~~frozen~~ but prices continue to soar. In past year, real contract wages dropped about 50 per cent. This, together with the government's indecisiveness as to what it wants to do with organized labor, is resulting in growing unrest among the workers. Even some members of the Junta admit that unless there is some remedy, the government will face serious labor reaction within the next few months. The war against the terrorists is also producing unwanted dividends. The security forces, in pursuing that war, have had little regard for the Law or for human rights. Nor have they been discriminating as to their victims. Innocent people have been jailed and even killed along with the guilty.

This insensitivity on the part of the security forces has

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caused the government considerable embarrassment abroad (and will doubtless cause it more), to say nothing of the sour taste it causes among its own people.

4. Further, the government suffers from internal ~~weaknesses~~ weaknesses. The Armed Forces themselves are divided as to how to proceed and President Videla, who prefers conciliation to confrontation, has shown himself so far incapable of providing the strong leadership necessary to point them all in the same direction (or, for that matter, to control the security forces). Worse, there appears to be no better alternative. Videla may have been unable to imbue his government with his own moderate tendencies, but he and his entourage do at least act as a restraining force. The chances are that if Videla were replaced it would be by a hard-line general who would exacerbate, not alleviate, the situation--and certainly so with respect to ~~the~~ human rights.

5. Past its immediate problems and weaknesses, this military government gives no evidence of having any new vision or ideas as to how to overcome Argentina's long-standing political problems. It may well be following the pattern of past military governments which have floundered after two or three years in power.

6. In sum, while it has had some short-term successes, the government has serious weaknesses and growing problems.

Whether it can bring any lasting solutions to Argentina's

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malaise is very much in doubt.

7. Long-term US Objectives. Argentina is important to the U. S. because of its size, relatively advanced economy and level of technology and because of its traditional influence (now somewhat reduced) ~~xxx~~ in hemispheric and world fora. It has the natural resources to become a significant economic power. Indeed, if exploited correctly, Argentina's rich agricultural resources would assure it an important role ~~xxx~~ in the world of tomorrow. A stable, healthy Argentina, in short, would be a valuable partner for the U. S. It would be a major force for stability in the Southern Cone, and in the rest of Latin America. It could help to solve world food shortages and could collaborate with us in the OAS and UN in fashioning a more durable and equitable world order. On the other hand, an Argentina plunged into anarchy and/or controlled by extremists (of either end of the spectrum) would pose a danger to all U. S. interests here--especially given its rivalry with Brazil and its advanced state of nuclear technology. U. S. investments could be lost. U. S. exports would fall or disappear. Argentina would become a disruptive rather than constructive force in international fora. And, most importantly, resulting tensions and even conflicts in the Southern Cone would present the U. S. with painful policy decisions.

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8. Given the above considerations, helping to bring about a stable, healthy Argentina under a moderate government which is friendly to us must be seen as our primary long-range objective here. To be sure, this is basically something the Argentines must do for themselves. We cannot do it for them. But we can have some impact, and our policies and actions in Argentina should be weighed and decided upon in terms of whether or not they contribute to that objective.

9. Quality of Relations. With the exception of the short-lived Campora govt (May 1973-July 1973), US-Argentine relations during the past few years have been excellent. Having seen themselves as our rivals for hemispheric leadership earlier in the century, the Argentines have more recently begun to look to the US as a most valuable partner and ally. Indeed, during the eight months of Peron's presidency (October 1973-July 1974) and for the first few months of Mrs. Peron's presidency, relations between the two countries were exemplary. Newly self-confident (albeit ephemerally so) in the wake of elections, Argentina cooperated closely with us and played a key role in our efforts to structure a more dynamic OAS and a more viable relationship between the US and Latin America. Argentina's ability to continue this role was undercut by its subsequent internal disarray. Clearly, it cannot be an effective player on the international scene until it can put its own house in order. Even so, on the Argentine side, the

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will towards a close, supportive relationship is there. The Junta, for example, has made it clear that it wants to have warm relations with us--and as evidence of this has cleared up all our major outstanding investment problems save one (Deltec). What is in question is not Argentina's desire to be our friend; rather, it is (a) whether or not Argentina can overcome its internal problems so as to maximize its value as a partner, and b) whether or not there will be lasting damage to our relationship as a result of the human rights problem.

10. Current Problems. The serious problem between the US and Argentina at this point is over the issue of human rights. As the GOA sees it, it is in a war to the death with subversion (which it believes is fed and inspired by International Communism) and it will take the measures it believes necessary to defend itself. Certain of those measures may be unpleasant, but, the GOA argues, unpleasant things happen in a war. President Videla would prefer to minimize violations of human rights, but he lacks the strength (or has lacked it so far) to control the security forces, or even some of his own generals.

11. As the US sees it, the GOA must of course press its campaign against the terrorist to a successful conclusion, but it could and should do so within the Law. Further, the GOA cannot expect the US to support it if it continues to ignore accepted international norms.

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12. US concern for human rights is in keeping with our long-range objectives. If a healthy, stable Argentine society is our primary objective, we can hardly applaud or condone practices which contribute to its antithesis. Our concern for human rights is both legitimate and germane. The ~~problem~~ ^{problem} is in how we articulate it and translate it into policy. We must, for example, avoid measures which would appear to be paternalistic or to smack of intervention in Argentina's internal affairs. Further, we must be certain that our words and actions contribute to our long-range objectives, and, indeed, to the cause of human rights. At this point, quiet diplomacy continues to strike us as the best approach. ~~Confrontation~~ ^{Confrontation} such as would result from public condemnation of the GOA in the US Congress would excite nationalist sentiment and probably strengthen the hand of the hardliners and of irresponsible elements who are always ready to take advantage of tensions between their government and our own. This would neither contribute to our long-term objectives nor help the cause of human rights; on the contrary, it would work in the opposite direction. In our view, then, we should continue our diplomatic efforts, but, at least for the time being, avoid confrontation. If diplomacy proves ineffective, or if the conduct of the GOA worsens, we can (and should) review our position in the months ahead.

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